

Visit of Korean Government Officials to the OECD, 19 January 2007



FROM DISABILITY TO ABILITY

Policy challenges and trends in OECD countries

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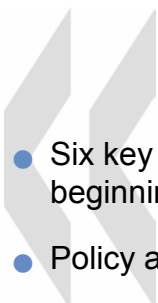
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Structure of the presentation



- Six key challenges to disability policies at the beginning of the 21st century
- Policy answers in OECD countries: trends
- Issues raised by the Delegation: country experiences and examples
- OECD recommendations for further reform

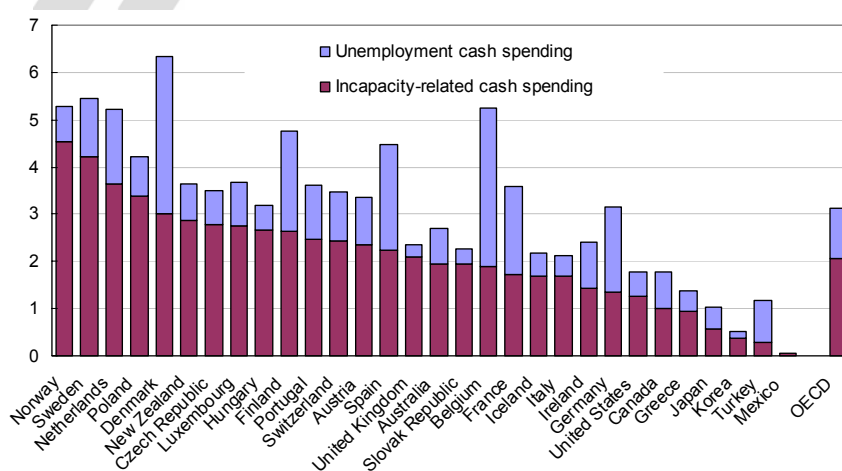
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I. Six key challenges to disability policies

- Population **ageing**, leading to increased incidence in health conditions but also future labour supply shortages
- Changes in the **work environment** and raising labour market requirements
- Low **employment rates** of disabled people and high benefit dependence
- Lower resources and higher **poverty risks** of households with disabled people
- **Co-ordination** of different social protection and employment schemes and reforms
- High and often increasing sickness and disability-related public **spending**

High public cash spending

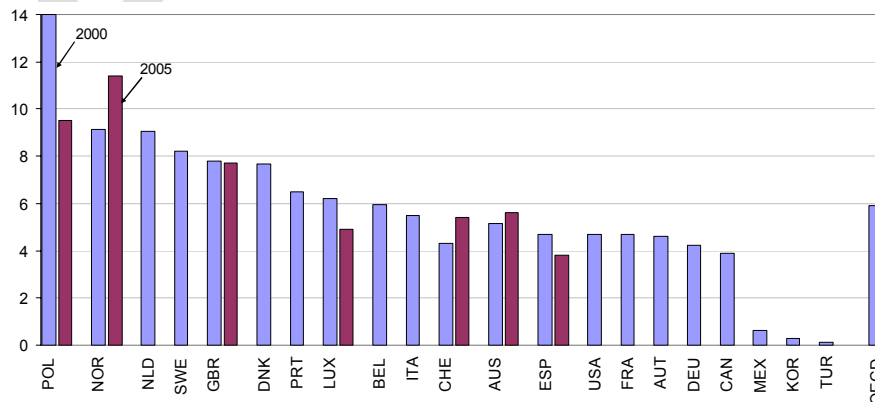
Public incapacity- and unemployment-related cash spending in % of GDP, 2003



Source: : OECD (2007, forthcoming), Social Expenditure Database, Paris (www.oecd.org/els/social/expenditure)

High disability benefit reciprocity

Disability benefit recipients in % of the working-age population



Source: : OECD (2003, 2006 and 2007, forthcoming)

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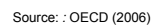
Trends in disability policies in the OECD area:

A generalised change in “philosophy” – but country approaches and implementations differ greatly

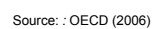
- Move from benefit to integration orientation
- Tightening of access to disability benefits
 - reduction in benefit levels
 - stricter medical and/or legal assessment procedures
 - abolition of “own” occupation assessment
 - emphasis on temporary benefits
 - new ways of dealing with partial disability
- Promotion of employment integration
 - introduction/fostering of anti-discrimination legislation
 - increase of employers’ obligations towards disabled people
 - stream-lining of administration and individualisation of case management
 - measures to increase work incentives for disabled people

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OECD disability policy typology around 2000



Disability policy typology changes 1985-2006



Issues raised by the Delegation

1. Government policies for the employment promotion of disabled people

• Countries rely on different mix of policy measures:

- Wage subsidies for employers
- Incentive measures for employees
- Partial benefits
- Experience rating
- Employment quota
- Employment anti-discrimination legislation

Incentive measures targeted to employers in 3 reviewed countries

	NORWAY	POLAND	SWITZERLAND
<i>Direct wage subsidy</i>	50% of wages for up to 12 months, for all vulnerable groups of job seekers, including vocationally disabled Pilot project in five counties: disability benefit used as a wage subsidy (employer receives DI benefit as wage subsidy up to 90% of salary, up to 3 years)	For SWEs: flat-rate subsidies, percentages of minimum wage: 130% for severely disabled, 110% for moderately disabled and 50% for lightly disabled. Annual extension possible For enterprises with less than 25 employees and enterprises with 25 or more employees which fulfil the 6% quota: flat rate subsidies, percentages of minimum wage: 91% for severely disabled, 77% for moderately disabled and 35% for lightly disabled. Annual extension possible	Subsidy to the wage during the probationary period (up to 6 months), for disabled persons who have been placed by a DI office "try-and-hire" pilot project of Swiss NGOs: loan of disabled persons for a probationary period
<i>Indirect wage subsidy</i>	Support for assistance in the job-situation	Subsidy for persons employed to assist the disabled employee (minimum wage times the ratio of hours worked of assistance to hours worked by the disabled person)	Reimbursement of wage costs for assistance services of third persons, up to CHF 1583 (25% of average wage)
<i>Lower employers' social security contributions and taxation</i>		For SWEs: lower social contributions and lower taxation For enterprises with 25 or more employees which fulfil the 6% quota: reimbursement of employers' old age pension contribution for severely and moderately disabled persons, and for employers' accident insurance contribution for lightly disabled persons	
<i>Subsidies for workplace modification and equipment</i>	Support for investment costs	Subsidy for workplace modification and equipment for disabled persons employed for a minimum of 36 months, up to 20 times the average wage	Reimbursement of total costs for equipment needed as well as for adaptation of work place, if "simple and useful"
<i>Experience rating of sickness and disability contributions</i>			In the second-pillar disability insurance as well as the voluntary sickness benefit insurance, individual regulations
<i>Continuous wage payment in case of sickness absence</i>	17 days	33 days (at 80% of the regular wage)	15-230 days, depending on tenure

Source : OECD (2006)

Issues raised by the Delegation

2. Employment experiences of countries with an employment quota system

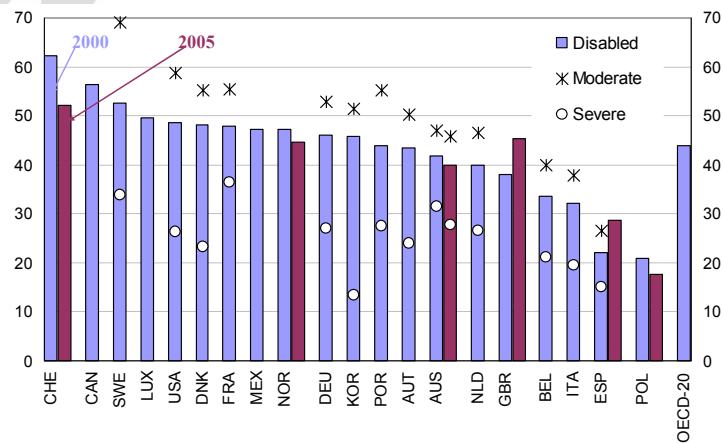
- Experiences are mixed:
 - Employment rates neither systematically higher nor lower
 - Overall employment prospects play a more important role
 - In some countries, quota system works better for severely disabled persons
 - In general, governments are not subsidising levy funds which are often statutory bodies (e.g. PFRON in Poland, AGEFIPH in France)
 - However, in some countries employment services are organised and co-funded by local governments (e.g. Germany)
 - Some quota countries do not apply sanctions in case of non-fulfilment (e.g. Luxembourg, Spain)

Employment quota and employment rates of disabled persons

	Quota	Sanction (% of payroll)	Employment rate of disabled persons
Australia*	-	-	39.8%
Austria	4% (25+)	0.4%	43.4%
Belgium	2-2.5% (publ.)	-	33.5%
Canada	-	-	56.3%
Denmark	-	-	48.2%
France	6% (19+)	0.45-0.75%	47.9%
Germany	5% (19+)	0.25-0.65%	46.1%
Italy	7% (50+)	1-4%	32.1%
Korea	2% (300+)	0.5%	45.9%
Luxembourg*	2.5% (50+)	none	49.5%
Mexico	-	-	47.2%
Netherlands	-	-	39.9%
Norway*	-	-	45.0%
Poland*	6% (25+)	2.40%	17.6%
Portugal	5% (publ.)	-	43.9%
Spain*	2% (50+)	none	28.6%
Sweden	-	-	52.6%
Switzerland*	-	-	52.1%
Turkey	3% (50+)	0.20%	n.a.
United Kingdom*	-	-	45.3%
United States	-	-	48.6%
OECD			43.2%

Source: OECD (2003, 2006 and 2007, forthcoming).
 Quota: figures in brackets refer to minimum size of enterprise (number of employees).
 Data refer to 2000, except countries with asterisk: around 2005

Employment rates by severity of disability: more differentials in some countries than in others



Source: : OECD (2003, 2006 and 2007, forthcoming)

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Issues raised by the Delegation

3. Definition and registration of disabled people

- Countries have different registration systems in place:
 - Most often, legal disability certificates are issued by local offices, e.g. IMSERSO in Spain, CDAPH in France or Poviats social offices in Poland
 - These certificates do not give eligibility to disability benefits (controlled and delivered by social insurance) but to in-kind support such as transportation etc.
 - To the difference of access criteria for benefit status, legal disability status often partly takes into account social factors
 - Definitions in terms of work or earnings incapacity vary largely

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Definitions of disability vary largely

Australia	20 points on impairment tables and 15 hours/week work incapacity
Austria	50% work-capacity reduction
Belgium	66.6% earnings-capacity reduction
Canada	Incapacity for any work on regular basis
Czech Republic	33% reduced capacity for any economic activity
Denmark	50% work-capacity reduction
France	66.6% earnings-capacity reduction
Germany	25% work-capacity reduction
Hungary	67% work-capacity reduction
Iceland	50% work-capacity reduction
Ireland	Permanent incapacity to work
Italy	66.6% work-capacity reduction
Korea	Medical criterion (four defined degrees of disability)
Luxembourg	Incapacity for former work or corresponding occupation
Mexico	50% work-capacity reduction
Netherlands	35% earnings-capacity reduction
Norway	50% work-capacity reduction
Poland	Temporary or permanent work-capacity reduction
Portugal	66.6% earnings-capacity reduction in usual occupation
Slovak Republic	40% reduction in capacity
Spain	33% work-capacity reduction in usual occupation
Sweden	25% work-capacity reduction
Switzerland	40% earnings-capacity reduction
Turkey	66.6% work-capacity reduction and medical conditions
United Kingdom	Limitations in everyday activities relevant to work
United States	Inability to engage in substantial gainful activity (earnings limit)

Source : OECD (2003, 2006 and 2007, forthcoming)

Issues raised by the Delegation

4. Job capacity assessments: who evaluates what?

- Assessment procedures for personal job capacities and disability benefit decisions are being reformed:
 - Focus on abilities rather than *disabilities*. Former purely medical assessments are being complemented by vocational criteria.
 - Increasingly, assessment teams are multi-disciplinary (doctors, social workers, psychologists, vocational therapists)
 - Also, social partners may take part in assessment teams (e.g. “commission mixte” in Luxembourg)
 - Increasingly, assessment procedures are being individualised
 - In some countries, assessment is being outsourced to the private sector (Australia)



Issues raised by the Delegation

5. Organisational aspects of employment policies for disabled persons

- Reforms are also carried out in governance:
 - Very often, disability employment policies are administered on a regional level, and employment policies on a national level.
 - In many cases, there appears a mis-match between financing mechanisms and responsibility structures
 - Also, a missing policy co-ordination of different social protection branches often leads to “carrousel effects”
 - One way to improve governance is to regulate inter-institutional co-operation (Switzerland), another way is to merge disability, unemployment and social assistance offices and create one-stop shops (Norway, UK, Australia)



Issues raised by the Delegation

6. Policy concerns about older disabled persons

- In most countries, different policies and policy institutions deal with younger and with older disabled persons
- Therefore, at retirement age, disability benefits are typically converted into old-age pensions
- Old-age pension reforms may lead to benefit losses for disabled persons (e.g. Poland): in order to prevent this, special regulations for this group of people need to be sought.
- Many older disabled persons are also concerned by rules and regulations of long-term care for the frail elderly.
- Indications that the health status of elderly people has improved.

Further reform is needed

Transform the disability benefit scheme into a flexible labour market programme

- Assess needs and, if necessary, intervene earlier: Avoid disability benefit inflow through job search measures, training, rehabilitation and prevention
- Disentangle eligibility for support from work ability and work status: Make cash benefits a flexible (in-work) tool that covers extra costs and the labour market disadvantage
- Ensure that work for disabled people is financially attractive and sustainable

Further reform (cont.)

- Break the link from temporary sickness to permanent disability
- Implement a “mutual obligations” approach
- Strengthen individualised, tailor-made pre- and post-placement support
- Integrate employers into the process, and design proper balance between obligations and financial incentives for them
- Monitor outcomes carefully